

## OFFICIAL TITLE AND SUMMARY ★ ★ ★

Prepared by the Attorney General

**EDUCATION FUNDING. REAL PROPERTY PARCEL TAX.  
INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.**

- Provides additional public school funding for kindergarten through grade 12.
- Funded by \$50 tax on each real property parcel.
- Exempts certain elderly and disabled homeowners.
- Funds must be used for class size reduction, textbooks, school safety, Academic Success facility grants, and data system to evaluate educational program effectiveness.
- Provides for reimbursement to General Fund to offset anticipated decrease in income tax revenues due to increased deductions attributable to new parcel tax.
- Requires school district audits, penalties for fund misuse.
- Revenue excluded from minimum education funding (Proposition 98) calculations.

**Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:**

- State parcel tax revenue of roughly \$450 million annually, allocated to school districts for specified education programs.

## ANALYSIS BY THE LEGISLATIVE ANALYST

**BACKGROUND**

State and local governments in California impose several types of taxes and use the resulting revenue to support a variety of government activities. The most significant state taxes are on personal income, the sale of most types of goods (such as cars, appliances, and furniture), and corporate profits. At the local level, the most significant tax is on the assessed value of property (such as family-owned land and houses, retail stores, and industrial facilities). In California, the revenue generated from these various taxes is used to fund many types of government programs, including education, health, social, and environmental programs.

**Local Property Taxes.** Local governments in California impose a tax based on the assessed value of property. Under such a tax, the amount owed increases as the value of the property increases. Some local governments also impose a type of property tax known as a parcel tax. Under

this type of tax, the amount owed is typically the same for each parcel—or unit—of land. (Currently, state government does not impose either type of property-related tax.)

**Use of Local Parcel Tax Revenue.** Local parcel tax revenue may be used for virtually any designated purpose. In recent years, for example, parcel taxes have been approved by voters in several school districts and used to fund class size reduction (CSR), school libraries, education technology, and other education programs. In those school districts that have a parcel tax, this revenue can be a significant source of funding for kindergarten through grade 12 (K–12) education programs. Statewide, however, the parcel tax is a minor source of funding for school districts.

**PROPOSAL**

Proposition 88 creates a statewide parcel tax and uses the resulting revenue to fund specific K–12 education programs. It would take effect July 1, 2007.